

**DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA**

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IN THE MATTER OF	)	
NorthWestern Energy's Electric	)	UTILITY DIVISION
Default Supply Tracker Filing	)	
	)	DOCKET NO. D2004.6.90
	)	ORDER NO. 6574c

**PROPOSED ORDER REALLOCATING UNIVERSAL SYSTEM BENEFITS  
FUNDS COLLECTED BY NORTHWESTERN ENERGY**

**Please Note: This order is a proposed order of the PSC. Persons directly affected by this order may have certain rights to request the PSC conduct additional procedures regarding this matter. Under the circumstances, including an expectation that it is unlikely that there will be an objection and the possible need for expedited action, this proposed order becomes the final order of the PSC 11 days from the service date above, without further action of the PSC, unless any person directly affected files an objection that is received by the PSC within 10 days of the service date above. Objections to this proposed order, if any, must be filed with the PSC, 1701 Prospect Avenue, P.O. Box 202601, Helena, Montana 59620-2601, original and 10 copies. Objections, if any, must be clearly stated and supported by factual and legal argument.**

**FINDINGS**

1. On June 7, 2004 NorthWestern Energy (NWE) submitted its electric default supply tracker filing. In that filing, through the testimony of Mr. William Thomas, NWE represented that it intended to scale back the E+ Business Partners and E+ Commercial Lighting Universal System Benefits (USB) programs and to allocate the funds previously allocated to these programs to other conservation and market transformation USB funds.

2. In Order 6574b, issued on September 20, 2004, the Public Service Commission (Commission) ordered that issues related to NWE's collection and use of USB funds be addressed in this docket and requested additional supplemental testimony on the reasonableness of the current allocation of NWE-collected USB funds among qualifying categories: local conservation, low-income weatherization, renewable resource projects

and applications, research and development, market transformation, and low-income energy assistance.

3. On December 14, 2004, at the request of NWE, the Commission suspended the procedural schedule in this docket.

4. On December 16, 2004, NWE, Montana Consumer Counsel, Montana Office of Northwest Power and Conservation Council, District XI of the Human Resource Council, Renewable Northwest Project, Natural Resources Defense Council and AARP Montana (Stipulating Parties) moved the Commission for an order approving a stipulation among them.

5. The Stipulating Parties requested that the Commission authorize a one-time transfer of \$621,274 from year 2005 USB conservation and market transformation programs to low-income discount for both electric and gas customers of NWE, defer consideration of issues related to USB, and initiate a new docket to address all USB-related issues after the 2005 session of the Montana legislature. The Stipulating Parties represent that the \$621,274 is the amount of conservation acquisition that NWE will redirect from USB programs to default supply and advocate that the one-time transfer of funds be effective January 1, 2005.

#### COMMISSION DECISION

6. Energy prices are at historically high levels. NWE's natural gas and electric customers have experienced a series of significant rate increases in the immediate past. Such rate increases can be especially harmful to low-income customers. The Commission supports the Stipulating Parties' request to allow NWE flexibility to reallocate \$621,274 to low-income discount.

7. This is a one-time allocation that does not set precedent for future years.<sup>1</sup>

8. The Commission has not considered NWE's proposal to blend certain USB programs into default supply programs. Nothing in this order should be construed as approving or disapproving of NWE's proposal.

#### CONCLUSIONS OF LAW

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<sup>1</sup> The Commission also authorized a one-time reallocation of USB funds in 2003. The recurring nature of requests for reallocation emphasizes the need for the Commission to address the reasonableness of the current allocation in a comprehensive manner.

1. NWE furnishes electric and natural gas service for customers in the State of Montana and is a public utility under the regulatory jurisdiction of the Montana Public Service Commission. The Commission properly exercises jurisdiction over NWE's rates and operations. §§ 69-3-101 and 69-3-102, MCA.

2. The Commission exercises authority over public utilities and electric and natural gas utility industry restructuring pursuant to its authority under Title 69, Chapter 3 and Chapter 8, MCA.

3. Pursuant to Title 69, Chapter 3 and Chapter 8, MCA, the Commission has the duty to implement Universal System Benefits Charges. §§ 69-3-1408 and 69-8-402, MCA.

### ORDER

1. NWE is authorized to reallocate \$621,274 of 2005 USB funds from conservation and market transformation programs to low-income discount, to take effect on the effective date of this order. This authorization to reallocate USB funds applies only to the unique circumstances identified in this proceeding and does not represent a change in the Commission's policy regarding the proper approach to allocating USB funds among qualifying USB categories and specific uses within those categories. Order Nos. 5986g and 5986i, Docket No. D97.7.90, continue to reflect the Commission's policy on USB funds allocation.

2. The Commission will not consider the reasonableness of the current allocation of NWE-collected electric USB funds among qualifying categories in this docket. Nothing in this order should be construed as precluding the Commission from considering issues relating to gas USB funds in any other dockets now pending before the Commission. Nothing in this order should be construed as precluding the Commission from considering issues related to any USB funds in any other docket pending or initiated at any time.

3. NWE must file tariffs implementing the supplemental electric and natural gas low-income customer discounts contemplated by this order. Commission staff is authorized to approve the compliance tariffs.

DONE AND DATED THIS 21<sup>st</sup> day of December by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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BOB ROWE, Chairman

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THOMAS J. SCHNEIDER, Vice Chairman

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GREG JERGESON, Commissioner

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MATT BRAINARD, Commissioner

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JAY STOVALL, Commissioner

ATTEST:

Connie Jones  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.